

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Village of Caseville</b>	County <b>Huron</b>
Audit Date <b>2/29/04</b>	Opinion Date <b>9/15/04</b>	Date Accountant Report Submitted to State: <b>10/15/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☒ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).	✓		
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Nietzke &amp; Faupel, P.C.</b>			
Street Address <b>7274 Hartley Street</b>	City <b>Pigeon</b>	State <b>MI</b>	ZIP <b>48755</b>
Accountant Signature <i>Brian Hazen, CPA</i>		Date <b>10/15/04</b>	

**VILLAGE OF CASEVILLE  
CASEVILLE, MICHIGAN**

**FINANCIAL REPORT  
FEBRUARY 29, 2004**



ALLAN W. NIETZKE, CPA  
DONALD C. FAUPEL, CPA  
JEFFREY P. BUSHEY, CPA  
BRIAN V. HAZARD, CPA

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To the Village Council and  
Village Administrator of  
Village of Caseville

In planning and performing our audit of the financial statements of the Village of Caseville for the year ended February 29, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Village of Caseville's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

#### Reportable Conditions

The current format of the bank reconciliation makes reconciliation of the general ledger balance and the bank balance difficult. We recommend that the bank reconciliation format be changed to make reconciliation of these items easier. This would ensure that the bank statement is agreed to the general ledger on a monthly basis and this will enable a visible monthly summary of activity. Also, reconciling items should be researched promptly so that corrective action may be taken, where necessary, to dispose of them. This process will substantially increase control over cash. We suggest that bank accounts be reconciled and all differences between the computer accounting records and bank balances be investigated on a timely basis by appropriate accounting personnel so that errors and adjustments can be quickly identified and corrected.

#### Other Comments and Recommendations

During our audit we noted that the Village's property tax revenue was not recorded in the general ledger until the end of the Village's fiscal year. In order to provide accurate accounting information on a monthly basis and to provide controls over the Village's revenue, we recommend that the property tax revenue be recorded in the Village's general ledger in the period that it is received. We noted other instances where deposits were made in one month but were not recorded in the general ledger until the following month. Care should be taken to record the transactions in the same month that the monies are received.

The Village's general ledger contains accounts to account for the balances of the delinquent property taxes and special assessments that are owed to the Village. During our audit we noted that the supporting documentation of the outstanding taxes and special assessments do not reconcile to the general ledger balances. We recommend that the general ledger accounts be reconciled to the supporting lists of delinquent taxes and assessments and that any necessary adjustments to the general ledger balances be made. This will provide the proper control over the amount of taxes and assessments owed to the Village.

State statute requires that a local unit of government shall not incur expenditures in excess of the amount appropriated in its budget. As described in the notes to the Village's financial statements, several budget variances were found in the General, Major Street, Local Street, and Police Equipment funds. As provided by state statute, we recommend that the Village's expenditures be monitored for budget compliance on a monthly basis and that the budgets be amended before any excess expenditure is made.

Another requirement of the state budget statute is that a local unit of government shall maintain a balanced budget. This means that the budgeted expenditures shall not exceed the budgeted revenue plus the carryover of the previous year's fund balance. During our audit we noted that the budget for the Major Street fund did not meet the state requirements. Care should be taken during the process of preparing and amending the budgets to insure that the budgeted expenditures do not exceed the budgeted revenues plus the available fund balance.

The Major Street fund ended the fiscal year with a deficit fund balance in the amount of \$9,208. State statute also requires that a local unit of government shall not maintain a deficit fund balance in any of its funds. Therefore, we recommend that the Village develop a plan that will eliminate the deficit in the Major Street fund. The deficit elimination plan should be filed with the Local Government Audit Division of the State Department of Treasury.

We believe that the implementation of these recommendations will provide the Village with a stronger system of internal accounting control while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation.

This report is intended solely for the information and use of the Village Council, management, and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Nietzke & Faupel, P.C.*

Nietzke & Faupel, P.C.  
Pigeon, Michigan

September 15, 2004

# **VILLAGE OF CASEVILLE, MICHIGAN**

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**VILLAGE OF CASEVILLE, MICHIGAN**

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## REPORT OF INDEPENDENT AUDITORS

To The Honorable Village Council  
Village of Caseville  
Caseville, Michigan 48725

We have audited the accompanying general purpose financial statements of Village of Caseville, Michigan as of and for the year ended February 29, 2004 as listed in the table of contents. These general purpose financial statements are the responsibility of Village of Caseville, Michigan's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Village of Caseville, Michigan as of February 29, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2004, on our consideration of the Village of Caseville, Michigan internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Caseville, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

*Nietzke & Faupel, PC*

NIETZKE & FAUPEL, P.C.  
PIGEON, MICHIGAN

September 15, 2004

**GENERAL PURPOSE FINANCIAL STATEMENTS**



VILLAGE OF CASEVILLE, MICHIGAN

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
FEBRUARY 29, 2004

ASSETS	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES			ACCOUNT GROUPS			TOTALS	
	SPECIAL		DEBT		INTERNAL		GENERAL		GENERAL		(MEMORANDUM ONLY)	
	GENERAL	REVENUE	SERVICE	CAPITAL	ENTERPRISE	SERVICE	FIXED	LONG-TERM	2004	2003	2004	2003
Cash	\$ 142,335	\$ 43,257	\$ 18,164		\$ 2,035				\$ 205,791	\$ 18,964		
Petty cash	190								190	190		
Investments	70,629	55,754	123,082	\$ 367,140	193,413	\$ 286,216			1,096,234	1,306,652		
Accounts receivable	18,299				233,501				251,800	621,131		
Allowance for doubtful accounts					(40,000)				(40,000)	(20,000)		
Taxes receivable	5,249	3,987	953		3,208				13,397	8,005		
Due from other funds	106,094								106,094	29,521		
Due from other governments			37,570						37,570			
Prepaid insurance					20,289				20,289	23,277		
Inventory										36,897		
Restricted assets:												
Investments		652			316,297				316,949	318,184		
Accounts receivable										34,684		
Special assessments receivable					392,139				666,612	449,999		
Buildings and land improvements			274,473		103,206		\$ 284,321		387,527	387,527		
Sewer system					6,988,336				6,988,336	7,013,351		
Water system					4,457,118				4,457,118	4,332,910		
Equipment					191,616				773,106	745,993		
Less accumulated depreciation					(3,371,361)				(3,596,898)	(3,332,626)		
Amount to be provided for retirement of general long-term debt												
									1,331,808	967,164		
<b>TOTAL ASSETS</b>	<b>\$ 342,796</b>	<b>\$ 103,650</b>	<b>\$ 454,242</b>	<b>\$ 367,140</b>	<b>\$ 9,489,797</b>	<b>\$ 413,600</b>	<b>\$ 512,890</b>	<b>\$ 1,331,808</b>	<b>\$ 13,015,923</b>	<b>\$ 12,941,823</b>		

VILLAGE OF CASEVILLE, MICHIGAN

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
FEBRUARY 29, 2004

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES			ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY) FEBRUARY 29, 2004		2003
	GENERAL	SPECIAL REVENUE		CAPITAL	INTERNAL SERVICE	ENTERPRISE	FIXED ASSETS	GENERAL LONG-TERM DEBT				
		DEBT	SERVICE									
<b>LIABILITIES AND FUND EQUITY</b>												
<b>LIABILITIES:</b>												
Accounts payable	\$ 12,665	\$ 34		\$ 7,802	\$ 2,773			\$ 23,275	\$ 31,039			
Due to other funds		10,180		95,914				106,094	29,521			
Accumulated unpaid benefits								\$ 71,808	71,808	67,164		
Deferred revenue			\$ 274,473	392,139				666,612	449,999			
Bonds payable				3,285,000				4,545,000	4,280,000			
<b>TOTAL LIABILITIES</b>	<b>12,665</b>	<b>10,214</b>	<b>274,473</b>	<b>3,780,855</b>	<b>2,773</b>			<b>5,412,789</b>	<b>4,857,723</b>			
<b>FUND EQUITY:</b>												
Investment in general fixed assets				4,797,611	139,744		\$ 512,890	512,890	482,737			
Contributed capital								4,937,355	5,129,460			
Retained earnings:												
Restricted				343,335	271,083			343,335	344,570			
Unrestricted				567,996				839,079	824,964			
Fund balance:												
Reserved for oxbow dredging		652						652	34,684			
Reserved for police forfeiture	330,131	92,783						969,823	1,267,033			
Unreserved	330,131	93,435		5,708,942	410,827		512,890	7,603,135	8,084,100			
<b>TOTAL FUND EQUITY</b>	<b>330,131</b>	<b>93,435</b>	<b>367,140</b>	<b>5,708,942</b>	<b>410,827</b>		<b>512,890</b>	<b>13,015,923</b>	<b>12,941,823</b>			
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 342,796</b>	<b>\$ 103,650</b>	<b>\$ 454,242</b>	<b>\$ 9,489,797</b>	<b>\$ 413,600</b>		<b>\$ 512,890</b>	<b>\$ 1,331,808</b>	<b>\$ 13,015,923</b>	<b>\$ 12,941,823</b>		

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF CASEVILLE, MICHIGAN**  
**COMBINED STATEMENT OF REVENUE, EXPENDITURES**  
**AND CHANGE IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES**  
**YEAR ENDED FEBRUARY 29, 2004**

	GOVERNMENTAL FUND TYPES				TOTALS (MEMORANDUM ONLY)	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	FEBRUARY 29,	
					2004	2003
<b>REVENUE:</b>						
Property taxes	\$339,243	\$ 11,509	\$ 75,831		\$ 426,583	\$ 404,283
Assessments			123,431		123,431	
Licenses and permits	9,083				9,083	11,478
Intergovernmental	90,749	126,132			216,881	700,795
Charges for services	57,130				57,130	56,542
Fines and forfeits	6,866				6,866	4,519
Interest	3,324	1,148	16,592		21,064	15,643
Administrative charges	56,644				56,644	59,592
Brick sales income		1,197			1,197	
Miscellaneous	14,039	11,965			26,004	5,392
<b>TOTAL REVENUE</b>	<b>577,078</b>	<b>151,952</b>	<b>215,854</b>		<b>944,883</b>	<b>1,258,244</b>
<b>EXPENDITURES:</b>						
Current:						
Village council/president/clerk	48,081				48,081	57,750
Elections	626				626	1,298
Administration	126,448	4,040			130,488	137,081
Village hall and grounds	22,941				22,941	17,595
Police protection	191,139	34,173			225,312	182,972
Building Inspector						110
Breakwall area	10,305				10,305	8,069
Department of public works	57,663				57,663	40,196
Construction		19,910			19,910	154,743
Routine maintenance		75,411			75,411	64,242
Winter maintenance		21,061			21,061	7,237
Trunkline maintenance		26,540			26,540	10,223
Water board	682				682	1,016
Public utilities	40,165				40,165	30,409
Sanitation	50,720				50,720	50,720
Recreation	21,825				21,825	7,249
Planning commission	4,067				4,067	8,238
Zoning board of appeals	7,427				7,427	5,750
Other projects - Oxbow dredging	12,759				12,759	317,425
Bond principal			35,000		35,000	
Bond interest			48,853		48,853	22,463
Downtown development authority	55,473	397,664			453,137	1,419,284
<b>TOTAL EXPENDITURES</b>	<b>650,321</b>	<b>578,799</b>	<b>83,853</b>		<b>1,312,973</b>	<b>2,544,070</b>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<b>(73,243)</b>	<b>(426,848)</b>	<b>132,001</b>		<b>(368,090)</b>	<b>(1,285,826)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Bond proceeds						1,295,000
Operating transfers in	28,196	10,000	954	\$ 8,000	47,150	137,339
Operating transfers out	(10,000)	(954)			(10,954)	(346,316)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>18,196</b>	<b>9,046</b>	<b>954</b>	<b>8,000</b>	<b>36,196</b>	<b>1,086,023</b>
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>	<b>(55,047)</b>	<b>(417,802)</b>	<b>132,955</b>	<b>8,000</b>	<b>(331,894)</b>	<b>(199,803)</b>
<b>FUND BALANCE - BEGINNING</b>	<b>385,178</b>	<b>511,237</b>	<b>46,814</b>	<b>359,140</b>	<b>1,302,369</b>	<b>1,502,172</b>
<b>FUND BALANCE - ENDING</b>	<b>\$330,131</b>	<b>\$ 93,435</b>	<b>\$ 179,769</b>	<b>\$367,140</b>	<b>\$ 970,475</b>	<b>\$ 1,302,369</b>

VILLAGE OF CASEVILLE, MICHIGAN

COMBINED STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL AND SPECIAL REVENUE FUND TYPES  
YEAR ENDED FEBRUARY 29, 2004

	GENERAL FUND			SPECIAL REVENUE FUNDS			TOTALS		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUE:									
Property taxes	\$ 322,928	\$ 339,243	\$ 16,317	\$ 12,110	\$ 11,509	\$ (601)	\$ 335,038	\$ 350,752	\$ 15,718
Licenses and permits	9,400	9,083	(317)				9,400	9,083	(317)
Intergovernmental	112,059	90,749	(21,350)	103,414	126,132	22,718	215,513	216,881	1,368
Charges for services		57,130	57,130					57,130	57,130
Fines and forfeits	3,070	6,666	3,796				3,070	6,666	3,796
Interest	5,000	3,324	(1,676)	3,425	1,148	(2,277)	8,425	4,472	(3,953)
Administrative charges	63,455	56,844	(6,611)				63,455	56,844	(6,611)
Brick sales income				72,718	1,197	1,197	72,718	1,197	(72,718)
Current TIFA payments	4,877	14,039	9,162	3,500	11,985	8,485	8,377	26,004	17,627
Miscellaneous	520,827	577,078	56,251	185,167	151,952	(43,216)	715,994	729,029	13,034
<b>TOTAL REVENUE</b>									
EXPENDITURES:									
Current:									
Village council/president/ Clerk	53,485	48,081	5,404				53,485	48,081	5,404
Elections	1,615	628	989				1,615	628	989
Administration	135,177	126,448	8,729	4,040	4,040		139,217	130,488	8,729
Village hall and grounds	25,031	22,941	2,090				25,031	22,941	2,090
Police protection	203,732	191,139	12,593	33,400	34,173	(773)	237,132	225,312	11,820
Breakwell area	10,770	10,305	465				10,770	10,305	465
Department of public works	56,344	57,663	(1,319)				56,344	57,663	(1,319)
Construction				1,030	19,910	(18,880)	1,030	19,910	(18,880)
Routine maintenance				79,245	75,411	3,834	79,245	75,411	3,834
Winter maintenance				16,771	21,061	(4,290)	16,771	21,061	(4,290)
Trunkline maintenance				23,890	26,540	(2,650)	23,890	26,540	(2,650)
Water board							1,503	882	621
Public utilities	1,503	682	821				37,895	40,165	(2,270)
Sanitation	37,895	40,165	(2,270)				51,000	50,720	280
Recreation	22,143	21,825	318				22,143	21,825	318
Planning commission	5,415	4,067	1,348				5,415	4,067	1,348
Zoning board of appeals	7,440	7,427	13				7,440	7,427	13
Other projects - Outbow dredging	36,529	12,759	23,770				36,529	12,759	23,770
Capital improvement projects	5,000		5,000				5,000		5,000
Down town development authority	51,577	55,473	(3,896)	505,766	397,664	108,102	557,343	453,137	104,206
<b>TOTAL EXPENDITURES</b>	704,656	650,321	54,335	664,142	578,799	85,344	1,368,796	1,228,120	139,679
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	(183,828)	(73,243)	110,586	(488,975)	(426,848)	42,127	(652,804)	(500,091)	152,713
OTHER FINANCING SOURCES (USES):									
Bond proceeds	36,529		(36,529)				36,529		(36,529)
Local source fund balance	44,887		(44,887)	19,355		(19,355)	64,242		(64,242)
Operating transfers in	40,645	28,196	(12,449)	10,000		(1,984)	52,629	38,196	(14,433)
Operating transfers out	(11,984)	(10,000)	1,984	(1,661)	(954)	707	(13,645)	(10,954)	2,691
<b>TOTAL OTHER FINANCING SOURCES</b>	110,077	18,196	(91,881)	29,678	9,046	(20,632)	139,755	27,242	(112,513)
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>	(73,752)	(55,047)	18,705	(439,297)	(417,802)	21,495	(513,049)	(472,848)	40,201
<b>FUND BALANCE - BEGINNING</b>	385,178	385,178		511,237	511,237		896,415	896,415	
<b>FUND BALANCE - ENDING</b>	\$ 311,426	\$ 330,131	\$ 18,705	\$ 71,940	\$ 93,435	\$ 21,495	\$ 383,366	\$ 423,567	\$ 40,201

**VILLAGE OF CASEVILLE, MICHIGAN**

**COMBINED STATEMENT OF REVENUE, EXPENSES  
AND CHANGE IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES  
YEAR ENDED FEBRUARY 29, 2004**

	<u>PROPRIETARY FUND TYPES</u>		<u>TOTALS</u> <u>(MEMORANDUM ONLY)</u>	
	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>	<u>FEBRUARY 29,</u>	
			<u>2004</u>	<u>2003</u>
<b>OPERATING REVENUE:</b>				
Charges for services	\$ 722,822	\$ 88,625	\$ 811,447	\$ 753,583
Penalties	1,256		1,256	2,159
Miscellaneous	193	50	243	2,830
<b>TOTAL OPERATING REVENUE</b>	<u>724,271</u>	<u>88,675</u>	<u>812,946</u>	<u>758,572</u>
<b>OPERATING EXPENSES:</b>				
Salaries and wages	209,151	7,368	216,519	228,642
Employee benefits	107,548	3,989	111,537	101,338
Administration	79,600		79,600	74,873
Office supplies	103		103	156
Operating supplies	44,876	10,714	55,590	61,719
Contracted services	24,192		24,192	8,586
Legal	11,985		11,985	
Utilities	50,000	3,016	53,016	52,571
Depreciation	261,014	35,268	296,282	298,518
Repairs and maintenance	49,995	9,267	59,262	66,030
Insurance	31,205	7,599	38,804	36,492
Equipment rental	29,296		29,296	27,304
Miscellaneous	3,268		3,268	2,904
<b>TOTAL OPERATING EXPENSES</b>	<u>902,233</u>	<u>77,221</u>	<u>979,454</u>	<u>959,133</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(177,962)</u>	<u>11,454</u>	<u>(166,508)</u>	<u>(200,561)</u>
<b>NONOPERATING REVENUE (EXPENSES):</b>				
Gain on sale of assets		148	148	14,825
Interest income	7,013	2,286	9,299	24,495
Interest expense - long-term debt	(171,917)		(171,917)	(176,717)
Loss on disposal of assets	(10,157)		(10,157)	
Service charges - debt	141,137		141,137	136,956
<b>TOTAL NONOPERATING REVENUE (EXPENSE)</b>	<u>(33,924)</u>	<u>2,434</u>	<u>(31,490)</u>	<u>(441)</u>
<b>INCOME (LOSS) BEFORE OTHER FINANCING SOURCES</b>	<u>(211,886)</u>	<u>13,888</u>	<u>(197,998)</u>	<u>(201,002)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfer in	26,773		26,773	293,974
Operating transfer out	(8,000)		(8,000)	(45,673)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>18,773</u>	<u>-</u>	<u>18,773</u>	<u>248,301</u>
<b>NET INCOME (LOSS)</b>	<u>(193,113)</u>	<u>13,888</u>	<u>(179,225)</u>	<u>47,299</u>
<b>RETAINED EARNINGS - BEGINNING</b>	<u>912,339</u>	<u>257,195</u>	<u>1,169,534</u>	<u>763,232</u>
<b>PRIOR PERIOD ADJUSTMENT</b>				<u>166,898</u>
<b>CURRENT DEPRECIATION ALLOCATED TO CONTRIBUTED CAPITAL</b>	<u>192,105</u>		<u>192,105</u>	<u>192,105</u>
<b>RETAINED EARNINGS - ENDING</b>	<u>\$ 911,331</u>	<u>\$ 271,083</u>	<u>\$ 1,182,414</u>	<u>\$ 1,169,534</u>

**VILLAGE OF CASEVILLE, MICHIGAN**

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
YEAR ENDED FEBRUARY 29, 2004**

	<b>PROPRIETARY FUND TYPES</b>		<b>TOTALS (MEMORANDUM ONLY)</b>	
	<b>ENTERPRISE</b>	<b>INTERNAL SERVICE</b>	<b>FEBRUARY 29,</b>	
			<b>2004</b>	<b>2003</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (177,962)	\$ 11,454	\$ (166,508)	\$ (200,561)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	261,014	35,268	296,282	298,518
(Increase) decrease in current assets:				
Accounts receivable	(3,712)		(3,712)	(12,662)
Taxes receivable	(1,803)		(1,803)	(176)
Inventories	16,608		16,608	11,459
Increase (decrease) in current liabilities:				
Accounts payable	7,488	2,773	10,261	(30,793)
Due to other fund				(2,147)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>101,633</b>	<b>49,495</b>	<b>151,129</b>	<b>63,637</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchase of assets	(135,457)	(3,095)	(138,552)	(338,241)
Proceeds from sale		380	380	26,450
Advance from other fund	95,913		95,913	
Service charges - debt	141,137		141,137	136,956
Principal paid on bond maturities	(95,000)		(95,000)	(85,000)
Interest paid on bonds	(171,917)		(171,917)	(176,717)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(165,323)</b>	<b>(2,715)</b>	<b>(168,039)</b>	<b>(436,553)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers from other funds	18,773		18,773	248,301
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>18,773</b>	<b>-</b>	<b>18,773</b>	<b>248,301</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest income	7,011	2,286	9,298	24,495
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>7,011</b>	<b>2,286</b>	<b>9,298</b>	<b>24,495</b>
<b>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	<b>(37,906)</b>	<b>49,066</b>	<b>11,160</b>	<b>(100,120)</b>
<b>CASH AND RESTRICTED CASH - BEGINNING OF THE YEAR</b>	<b>549,651</b>	<b>237,150</b>	<b>786,801</b>	<b>886,921</b>
<b>CASH AND RESTRICTED CASH - END OF THE YEAR</b>	<b>\$ 511,745</b>	<b>\$ 286,216</b>	<b>\$ 797,961</b>	<b>\$ 786,801</b>

**VILLAGE OF CASEVILLE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 29, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Reporting Entity:**

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Village's reporting entity.

Excluded from the reporting entity:

**Caseville Schools.** This potential component unit has a separate elected board and provides educational services to residents of the Village as well as other surrounding areas. This unit is excluded from the reporting entity because the Village does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

**Caseville Township/Village Harbor Commission.** The Village of Caseville along with Caseville Township created this separate legal entity for the purpose of planning, acquiring, constructing and operating a community harbor to provide recreational services to the residents of the Village and Township along with the general public. Each governing body appoints three members to create a six member Board of Commissioners. Based on the criteria for determining which component units to include in the reporting entity, the Village's management has excluded the Harbor Commission from the reporting entity of the Village.

**Caseville Historical Society.** This potential component unit is excluded from the reporting entity because the Village does not have the ability to exercise influence or control over their daily operations, approve budgets or provide funding.

Included in the reporting entity:

According to the criteria of the Governmental Accounting Standards Board, the **Downtown Development Authority** of the Village of Caseville is considered a component unit of the Village of Caseville and the blending method was used to include the component unit in the Village's reporting entity financial statements. The Village appoints the governing authority and also has the authority to approve contracts.

## **VILLAGE OF CASEVILLE, MICHIGAN**

### **NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2004**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

##### **Basis of Presentation:**

The financial activities of the Village are recorded in separate funds and account groups, categorized and described as follows:

##### **Governmental Funds:**

**General Fund**-The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds**-Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Debt Service Fund**- The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**Capital Projects Fund**- The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the Village.

##### **Proprietary Funds:**

**Enterprise Funds** - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Internal Service Funds (Equipment Rental Fund)**-Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis.

##### **Account Groups:**

**General Fixed Asset Account Group**-General fixed assets are fixed assets used in governmental fund types and are accounted for in the General Fixed Assets Account Group. No depreciation has been provided on general fixed assets.

**Fixed Assets (Proprietary Funds)**- Fixed assets are stated at cost. Depreciation of fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Enterprise fund depreciation is provided on the straight-line basis over the estimated useful lives of the respective class of assets. Equipment rental fund depreciation is provided under state guidelines on an accelerated basis over the estimated useful lives of the respective class of assets.

**General Long-Term Debt Account Group**- This account group presents the balance of general obligation long-term debt which is not recorded in proprietary funds.



**VILLAGE OF CASEVILLE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 29, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**"Totals-(Memorandum Only)":**

The "Memorandum Only" total column represents the aggregate total of the various columnar statements by fund types and account groups. This total column is not comparable to a consolidation and, therefore, does not present consolidated information.

**Basis of Accounting:**

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenue is recognized when it becomes measurable and available as net current assets. Property taxes are recorded as revenue when levied to the extent that they are measurable and available in accordance with NCGA Interpretation 3. Licenses and permits, fines and miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental revenue and interest income are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. Unbilled trash, recycling, water, and sewer service receivables are recorded at year end.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenue is recognized when it is earned, and their expenses are recognized when they are incurred.

**Budgets and Budgetary Accounting:**

The Village Council practices the following procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Village charter, prior to February 28, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Village charter requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to February 28, the budget is legally enacted through passage of a resolution.
4. The Village Clerk is required by the Village charter to present a monthly report to the Village Council explaining any variance from the approved budget.

**VILLAGE OF CASEVILLE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 29, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Budgets and Budgetary Accounting: (Continued)**

5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse at the end of each fiscal year.
8. The Village Council may authorize supplemental appropriations during the year.

**Cash and Cash Equivalents:**

Cash and cash equivalents of the Village include cash on hand and all deposits with financial institutions, including demand deposits and brokerage accounts.

**Compensated Absences:**

Village employees are allowed one day per month sick leave, not to exceed 12 days per year, and may accumulate up to a maximum of sixty days. Upon termination of employment, or retirement of an employee, an employee will be paid in full for all earned unused sick days at his/her current rate of pay. There is no accumulation of unused vacation days allowed. The Village accrues a liability for compensated absences based on the estimate of accumulated sick leave that will be paid to its employees upon termination of employment in accordance with the requirements of GASB Statement 16. For governmental funds, the liability for compensated absences is recorded in the general long-term debt account group since it is anticipated that none of the liability will be liquidated with expendable available financial resources.

**Property Taxes:**

Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied on the following July 1 and are payable without penalty through September 14. Village property tax revenue is recognized as revenue in the fiscal year levied to the extent that it is measurable and available in accordance with NCGA Interpretation 3 (Revenue Recognition - Property Taxes). The delinquent taxes of the Village are purchased through a revolving fund by Huron County and are therefore included as revenue in the fiscal year levied.

**NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS:**

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Village's expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Village for these budgetary funds were adopted at the department head/function level.

## VILLAGE OF CASEVILLE, MICHIGAN

### NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2004

#### **NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS:** **(CONTINUED)**

During the year ended February 29, 2004, the following expenditures were in excess of the amounts appropriated for the year:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund:</b>			
Department of public works	\$ 56,344	\$ 57,663	\$ 1,319
Public utilities	37,895	40,165	2,270
Downtown development authority	51,577	55,473	3,896
<b>Special Revenue Funds:</b>			
<b>Major Street:</b>			
Construction		19,910	19,910
Routine maintenance	36,492	38,002	1,510
Winter maintenance	10,163	12,643	2,480
Trunkline maintenance	23,890	26,540	2,650
<b>Local Street:</b>			
Winter maintenance	6,608	8,418	1,810
<b>Police Equipment:</b>	33,400	34,173	773

The budgeted expenditures, including an accrued deficit, shall not exceed budgeted revenues, including available surplus and the proceeds from bonds or other obligations issued under the fiscal stabilization act, Act 80 of 1981. The Major Street Fund, a special revenue fund, budgeted a deficit fund balance of \$4,296 and ended the year with an actual deficit of \$9,208.

#### **NOTE 3 - CASH AND INVESTMENTS:**

The carrying amount of cash and deposits with financial institutions of the Village of Caseville amounted to \$205,791 at February 29, 2004. The total bank balance as of the same date was \$289,827. Deposits with financial institutions are categorized as follows:

	<u>February 29, 2004</u>
Amount insured by the FDIC	\$200,000
Uncollateralized	<u>89,827</u>
Total deposits with financial institutions	<u>\$289,827</u>

#### **Investments:**

At February 29, 2004, the Village of Caseville held investments of \$1,413,183 in a brokerage account with a carrying amount of \$1,413,183, which approximates the market value. The balance held in the brokerage account consists of \$1,013,463 in a Treasury Cash Series money market fund and \$399,720 in bank certificates of deposit. The Treasury Cash Series money market fund has the characteristics of a mutual fund and is therefore, not categorized for credit risk purposes.

The carrying amount of cash and investments, which were restricted or designated for specific purposes as of February 29, 2004, amounted to \$316,949. Cash and deposits were restricted or designated for the following purposes:

(Continued)

# VILLAGE OF CASEVILLE, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2004

### NOTE 3 - CASH AND INVESTMENTS: (CONTINUED)

#### Investments: (Continued)

	February 28,	
	2004	2003
Police forfeiture use	\$ 652	\$ 652
Retirement of general obligation sanitary sewer bonds and to extend, enlarge and improve the sewer system	200,797	200,938
Retirement of general obligation water system bonds and to extend, enlarge and improve the water system	115,500	116,594
	<u>\$316,949</u>	<u>\$318,184</u>

Michigan Compiled Laws Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority except for the certificates of deposits in the brokerage account that are held in states other than Michigan.

### NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES:

The amount of interfund receivables and payables are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$106,094	
Major Street Fund		\$ 9,205
Downtown Development Authority Fund		975
Water Fund		95,914
	<u>\$106,094</u>	<u>\$106,094</u>

### NOTE 5 - CHANGES IN GENERAL FIXED ASSETS:

	BALANCE FEBRUARY 28, 2003	ADDITIONS	DELETIONS	BALANCE FEBRUARY 29, 2004
<b>GENERAL FIXED ASSETS:</b>				
Buildings and Land Improvements	\$ 284,321			\$ 284,321
Equipment	198,416	\$30,153		228,569
<b>TOTAL GENERAL FIXED ASSETS</b>	<u>\$ 482,737</u>	<u>\$30,153</u>	<u>\$ -</u>	<u>\$ 512,890</u>

(Continued)

# VILLAGE OF CASEVILLE, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2004

### NOTE 6 - SUMMARY OF PROPRIETARY FUND FIXED ASSETS:

	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>
Buildings and land improvements – recycling center	\$ 103,206	
Sewer collection system	6,988,336	
Water system	4,457,118	
Equipment	191,616	\$ 352,921
<b>Total</b>	<b>11,740,276</b>	<b>352,921</b>
Less accumulated depreciation	(3,371,361)	(225,537)
<b>Net Property, Plant and Equipment</b>	<b>\$ 8,368,915</b>	<b>\$ 127,384</b>

Depreciation expense for the year ended February 29, 2004, amounted to \$261,014 and \$35,268 for the Enterprise Funds and the Internal Service Fund, respectively.

### NOTE 7 - LONG-TERM DEBT:

The following is a summary of long-term debt transactions of the Village for the year ended February 29, 2004:

	<u>GENERAL LONG-TERM DEBT</u>		
	2002 DDA GENERAL OBLIGATION BOND	2003 SPECIAL ASSESSMENT BONDS	ACCRUED COMPENSATED ABSENCES
Balance February 28, 2003	\$ 900,000		\$ 67,164
Bonds issued		\$ 395,000	
Bonds retired	(25,000)	(10,000)	
Net change in accrued compensated absences			4,644
<b>Total</b>	<b>875,000</b>	<b>385,000</b>	<b>71,808</b>
Less: Current portion	(25,000)	(30,000)	
<b>Balance February 29, 2004</b>	<b>\$ 850,000</b>	<b>\$ 355,000</b>	<b>\$ 71,808</b>

	<u>ENTERPRISE FUNDS</u>	
	SEWER REVENUE BOND	WATER REVENUE BONDS
Balance February 28, 2003	\$ 2,550,000	\$ 830,000
Bonds issued		
Bonds retired	(50,000)	(45,000)
<b>Total</b>	<b>2,500,000</b>	<b>785,000</b>
Less: Current portion	(55,000)	(45,000)
<b>Balance February 29, 2004</b>	<b>\$ 2,445,000</b>	<b>\$ 740,000</b>

## **VILLAGE OF CASEVILLE, MICHIGAN**

### **NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2004**

#### **NOTE 7 - LONG-TERM DEBT: (CONTINUED)**

Details of the Village of Caseville's long-term debt as of February 29, 2004, are as follows:

The Village of Caseville 2002 Downtown Development Bonds, in the amount of \$900,000, were issued August 27, 2002. The bond proceeds, along with a grant of \$500,000 from the Community Development Block Grant funds from the State of Michigan, were issued to construct streetscape improvements in downtown Caseville as well as a boardwalk to the municipal marina. The bonds shall bear interest payable March 1, 2003 and each September 1 and March 1 thereafter until maturity. The bonds final maturity date is September 1, 2018. The interest rates on the bonds are 6.05% through September 1, 2012, and then 4.05% thereafter until maturity. Bond principal payments are due on September 1 of each year in amounts that range from \$25,000 to \$100,000. Bonds maturing in the year 2013 and thereafter shall be subject to redemption prior to maturity at the option of the Village, at par, plus accrued interest to the date fixed for redemption.

\$ 875,000

The Village of Caseville 2003 Special Assessment Bonds (Oxbow Dredging Project) (General Obligation Limited Tax), in the amount of \$395,000, were issued April 16, 2003. The bond proceeds were issued to finance the dredging of a portion of the Pigeon River within the Village of Caseville. The bonds shall be retired with the proceeds from special assessments collected from the village residents that own property along the river where the dredging took place. The bonds shall bear interest payable October 1, 2003 and each April 1 and October 1 thereafter until maturity. The bonds final maturity date is October 1, 2017. The interest rates on the bonds range from 1.0% to 4.5%. Bond principal payments are due on October 1 of each year in amounts that range from \$10,000 to \$30,000. Bonds maturing in the year 2013 and thereafter shall be subject to redemption prior to maturity at the option of the Village, at par, plus accrued interest to the date fixed for redemption.

385,000

The Village of Caseville Sanitary Sewage Collection and Treatment System Revenue Bonds, in the amount of \$2,881,000, were issued November 2, 1990. The bond proceeds, along with grants of \$3,335,391 from the Environmental Protection Agency and \$590,000 from the USDA Rural Development, were issued to construct a sanitary sewage collection and treatment system. The bonds shall bear interest payable each March 1 and September 1 until maturity. The bonds final maturity date is September 1, 2029. The interest rate on the bonds is 5%. Bond principal payments are due on September 1 of each year in amounts that range from \$55,000 to \$150,000.

2,500,000

# VILLAGE OF CASEVILLE, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2004

### NOTE 7 - LONG-TERM DEBT: (CONTINUED)

The Village of Caseville Water Supply and Distribution System Revenue Bonds, in the amount of \$1,210,000, were issued November 30, 1987. The bond proceeds, along with a grant of \$950,000 from the USDA Rural Development, were issued to construct a water treatment facility and lake intake system, plus improve and extend the water distribution system. The bonds shall bear interest payable each February 1 and August 1 until maturity. The bonds final maturity date is August 1, 2018. The interest rate on the bonds is 6%. Bond principal payments are due on August 1 of each year in amounts that range from \$30,000 to \$60,000.

515,000

The Village of Caseville Water System Revenue Bonds, in the amount of \$455,000, were issued August 20, 1980. The bond proceeds were issued to construct a water tower, and to improve the water distribution system. The bonds bear interest payable each February 1 and August 1 until maturity. The bonds final maturity date is August 1, 2018. The interest rate on the bonds is 5%. Bond principal payments are due on August 1 of each year in amounts that range from \$15,000 to \$25,000.

270,000

**Total Bonded Debt Outstanding**  
**Less: Current Portion of Bonds**  
**Total Long-Term Portion of Bonded Debt**

4,545,000  
(155,000)  
\$4,390,000

Annual principal and interest requirements for the years ending February 28, 2005 through 2009 for the outstanding debt listed above as of February 29, 2004 are as follows:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
Year Ending 2/28/05	\$ 377,781	\$ 155,000	\$ 222,781
2/28/06	370,594	155,000	215,594
2/28/07	363,369	155,000	208,369
2/28/08	365,900	165,000	200,900
2/28/09	382,988	190,000	192,988
Remaining years	<u>5,508,375</u>	<u>3,725,000</u>	<u>1,783,375</u>
<b>Total</b>	<b>\$ <u>7,369,007</u></b>	<b>\$ <u>4,545,000</u></b>	<b>\$ <u>2,824,007</u></b>

Total interest incurred by the Enterprise Funds amounted to \$171,917 for the year ended February 29, 2004, all of which was charged to expense.

Village policy allows full time employees to accumulate sick leave time at various rates, depending on the employee's current rate of pay. Amounts accumulated up to a maximum of 60 days are to be paid to the employee and recognized as an expense either when sick leave time is used, or upon termination of employment.

As of February 29, 2004, this liability was \$71,808.

## VILLAGE OF CASEVILLE, MICHIGAN

### NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2004

#### **NOTE 8 - DESIGNATED FUND BALANCE AND RESERVED RETAINED EARNINGS:**

A detailed description of fund balance designations and retained earnings reservations for all governmental and proprietary fund types at February 29, is presented below:

	<u>2004</u>	<u>2003</u>
<b>GENERAL FUND:</b>		
Fund balance:		
Reserved for Oxbow dredging project	\$ <u>      </u> -	\$ <u>34,684</u>
<b>SPECIAL REVENUE FUND:</b>		
Police Equipment Fund-		
Fund balance reserved for police forfeiture use	\$ <u>    652</u>	\$ <u>    652</u>
<b>ENTERPRISE FUNDS:</b>		
Retained earnings:		
Restricted to extend, enlarge and improve the sewer system	\$ 32,797	\$ 32,797
Restricted for sewer bond debt retirement	168,000	168,141
Restricted to extend, enlarge and improve the water system	27,038	27,038
Restricted for water bond debt retirement	<u>115,500</u>	<u>116,594</u>
<b>TOTAL RESTRICTED RETAINED EARNINGS</b>	<b>\$ <u>343,335</u></b>	<b>\$ <u>344,570</u></b>

#### **NOTE 9 - RETIREMENT SYSTEM - MERS OPERATED:**

##### **Pension Plan:**

Plan Description: The Village of Caseville participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

**Funding Policy:** The obligation to contribute to and maintain the system for these employees was established by state statutes and requires a contribution from the employees of 4% of their annual compensation.



# VILLAGE OF CASEVILLE, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2004

### NOTE 9 - RETIREMENT SYSTEM - MERS OPERATED: (CONTINUED)

**Annual Pension Cost:** For the year ended February 29, 2004, the Village's annual pension cost of \$42,993 for the plan was equal to the Village's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 2 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis.

Three year trend information:

	<u>Fiscal year ended December 31,</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Annual pension cost	\$ 22,017	\$ 26,982	\$ 43,631
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-0-	-0-	-0-
Actuarial value of assets	298,852	406,560	503,677
Actuarial Accrued Liability (entry age)	445,092	692,870	808,258
Unfunded AAL	146,240	286,310	304,581
Funded ratio	67%	59%	62%
Covered payroll	348,709	418,240	429,836
UAAL as a percentage of covered payroll	42%	68%	71%

### NOTE 10 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS:

The Village maintains three Enterprise Funds which provide recycling, water, and sewer services. Segment information for the year ended February 29, 2004, is as follows:

	<u>SEWER FUND</u>	<u>WATER FUND</u>	<u>RECYCLING FUND</u>	<u>TOTAL</u>
Operating revenue	\$ 99,366	\$ 575,143	\$ 49,762	\$ 724,271
Depreciation	110,309	146,199	4,506	261,014
Operating (loss)	(115,415)	(58,720)	(3,827)	(177,962)
Operating transfers in		26,773		26,773
Operating transfers (out)	(8,000)			(8,000)
Property, plant & equipment additions	5,660	129,797		135,457
Net working capital	152,404	31,033	25,293	208,730
Total assets	6,212,248	3,171,014	106,535	9,489,797
Bonds and long-term liabilities	2,500,000	785,000		3,285,000
Total equity	3,319,018	2,283,508	106,416	5,708,942

(Continued)

**VILLAGE OF CASEVILLE, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS  
FEBRUARY 29, 2004**

**NOTE 11 – CONTINGENT LIABILITIES:**

The Village is a reimbursing employer for purposes of unemployment insurance claims against the Village. The Village reimburses the State of Michigan for all benefits charged against it in the event of termination of employment and subsequent claims of its employees. Because an estimate cannot be made, the contingent liability for unemployment insurance claims is not recognized in the accompanying financial statements. This expense is recognized as incurred.

**NOTE 12 - RISK MANAGEMENT:**

**General Liability:**

Village of Caseville participates in the Michigan Township Participating Plan, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$5.7 million for real and personal property losses and \$5 million for liability losses. Village of Caseville is required to pay annual premiums to the Michigan Township Participating Plan for the liability coverage. No supplemental premium assessment is required by the Michigan Township Participating Plan. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**Workers' Compensation:**

Village of Caseville purchased commercial insurance coverage for losses related to workers' compensation claims.

**Employee Health Care:**

Village of Caseville purchased commercial insurance coverage for its employees and their dependents.

**SUPPLEMENTAL INFORMATION**

VILLAGE OF CASEVILLE, MICHIGAN

SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
FEBRUARY 29, 2004

	MAJOR STREET	LOCAL STREET	POLICE EQUIPMENT	DOWNTOWN DEVELOPMENT AUTHORITY	TOTALS FEBRUARY 29, 2004	2003
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Cash				\$ 43,257	\$ 43,257	\$ 2,699
Investments		\$ 43,721	\$ 12,033		55,754	474,617
Taxes receivable				3,987	3,987	3,748
Due from other funds						29,521
<b>TOTAL CURRENT ASSETS</b>		<u>43,721</u>	<u>12,033</u>	<u>47,244</u>	<u>102,998</u>	<u>510,585</u>
<b>RESTRICTED ASSETS:</b>						
Investments			652		652	652
<b>TOTAL RESTRICTED ASSETS</b>			<u>652</u>		<u>652</u>	<u>652</u>
<b>TOTAL ASSETS</b>		<u>\$ 43,721</u>	<u>\$ 12,685</u>	<u>\$ 47,244</u>	<u>\$ 103,650</u>	<u>\$ 511,237</u>
<b>LIABILITIES</b>						
Accounts Payable	\$ 3	\$ 31			\$ 34	
Due to other funds	9,205			\$ 975	10,180	
<b>TOTAL LIABILITIES</b>	<u>9,208</u>	<u>31</u>		<u>975</u>	<u>10,214</u>	
<b>FUND BALANCE</b>						
Reserved for police forfeiture			\$ 652		\$ 652	\$ 652
Unreserved (deficit)	\$ (9,208)	\$ 43,690	12,033	\$ 46,269	92,783	510,585
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 43,721</u>	<u>\$ 12,685</u>	<u>\$ 47,244</u>	<u>\$ 103,650</u>	<u>\$ 511,237</u>

**VILLAGE OF CASEVILLE, MICHIGAN**

**SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE  
YEAR ENDED FEBRUARY 29, 2004**

	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>POLICE EQUIPMENT</u>	<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>	<u>TOTALS FEBRUARY 29,</u>	
					<u>2004</u>	<u>2003</u>
<b>REVENUE:</b>						
Property taxes				\$ 11,509	\$ 11,509	\$ 21,688
Intergovernmental	\$ 88,450	\$ 37,682			126,132	600,766
Interest	75	675	\$ 125	273	1,148	4,936
Brick sales income				1,197	1,197	
Miscellaneous		749	11,216		11,965	2,982
<b>TOTAL REVENUE</b>	<u>88,525</u>	<u>39,106</u>	<u>11,341</u>	<u>12,979</u>	<u>151,952</u>	<u>630,372</u>
<b>EXPENDITURES:</b>						
Construction	19,910				19,910	154,743
Administration	2,020	2,020			4,040	4,040
Police protection			34,173		34,173	1,144
Routine maintenance	38,002	37,409			75,411	64,242
Winter maintenance	12,643	8,418			21,061	7,237
Trunkline maintenance	26,540				26,540	10,223
Downtown Development Authority				397,664	397,664	1,367,307
<b>TOTAL EXPENDITURES</b>	<u>99,115</u>	<u>47,847</u>	<u>34,173</u>	<u>397,664</u>	<u>578,799</u>	<u>1,608,936</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(10,590)</u>	<u>(8,740)</u>	<u>(22,832)</u>	<u>(384,685)</u>	<u>(426,848)</u>	<u>(978,564)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Bond proceeds						900,000
Operating transfers in		10,000			10,000	43,425
Operating transfers out				(954)	(954)	(1,551)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		<u>10,000</u>		<u>(954)</u>	<u>9,046</u>	<u>941,874</u>
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>	<u>(10,590)</u>	<u>1,260</u>	<u>(22,832)</u>	<u>(385,639)</u>	<u>(417,802)</u>	<u>(36,690)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>1,382</u>	<u>42,430</u>	<u>35,517</u>	<u>431,908</u>	<u>511,237</u>	<u>547,927</u>
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ (9,208)</u>	<u>\$ 43,690</u>	<u>\$ 12,685</u>	<u>\$ 46,269</u>	<u>\$ 93,435</u>	<u>\$ 511,237</u>

**VILLAGE OF CASEVILLE, MICHIGAN**

**MAJOR STREET FUND  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED FEBRUARY 29, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUE:</b>			
Intergovernmental:			
Gas and weight tax	\$ 46,137	\$ 46,981	\$ 844
MDOT Streetscape reimbursement		19,646	19,646
M-25 maintenance	8,000	9,395	1,395
County road tax	<u>12,250</u>	<u>12,428</u>	<u>178</u>
Total intergovernmental	66,387	88,450	22,063
Interest	<u>500</u>	<u>75</u>	<u>(425)</u>
<b>TOTAL REVENUE</b>	<u>66,887</u>	<u>88,525</u>	<u>21,638</u>
<b>EXPENDITURES:</b>			
Construction		19,910	(19,910)
Administration	2,020	2,020	
Routine maintenance	36,492	38,002	(1,510)
Winter maintenance	10,163	12,643	(2,480)
Trunkline maintenance	<u>23,890</u>	<u>26,540</u>	<u>(2,650)</u>
<b>TOTAL EXPENDITURES</b>	<u>72,565</u>	<u>99,115</u>	<u>(26,550)</u>
<b>EXCESS OF REVENUE (UNDER) EXPENDITURES</b>	<u>(5,678)</u>	<u>(10,590)</u>	<u>(4,912)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	1,382	1,382	
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ (4,296)</u>	<u>\$ (9,208)</u>	<u>\$ (4,912)</u>

**VILLAGE OF CASEVILLE, MICHIGAN**

**LOCAL STREET FUND  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED FEBRUARY 29, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUE:</b>			
Intergovernmental:			
Gas and weight tax	\$ 24,777	\$ 25,254	\$ 477
County road tax	12,250	12,428	178
Total intergovernmental	37,027	37,682	655
Telecommunications maintenance		749	749
Interest	900	675	(225)
<b>TOTAL REVENUE</b>	<u>37,927</u>	<u>39,106</u>	<u>1,179</u>
<b>EXPENDITURES:</b>			
Construction	1,030		1,030
Administration	2,020	2,020	
Routine Maintenance	42,753	37,409	5,344
Winter Maintenance	6,608	8,418	(1,810)
<b>TOTAL EXPENDITURES</b>	<u>52,411</u>	<u>47,847</u>	<u>4,564</u>
<b>EXCESS OF REVENUE (UNDER) EXPENDITURES</b>	<u>(14,484)</u>	<u>(8,740)</u>	<u>5,744</u>
<b>OTHER FINANCING SOURCES:</b>			
Operating transfers in	11,984	10,000	(1,984)
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES</b>	<u>(2,500)</u>	<u>1,260</u>	<u>3,760</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	42,430	42,430	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 39,930</u>	<u>\$ 43,690</u>	<u>\$ 3,760</u>

**VILLAGE OF CASEVILLE, MICHIGAN**

**POLICE EQUIPMENT FUND  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED FEBRUARY 29, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUE</b>			
Interest	\$ 200	\$ 125	\$ (75)
Fees and restitution	<u>3,500</u>	<u>11,216</u>	<u>7,716</u>
<b>TOTAL REVENUE</b>	<u>3,700</u>	<u>11,341</u>	<u>7,641</u>
<b>EXPENDITURES:</b>			
Police protection	33,400	34,173	(773)
<b>EXCESS OF REVENUE (UNDER) EXPENDITURES</b>	<u>(29,700)</u>	<u>(22,832)</u>	<u>6,868</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers out	(1,661)		1,661
Local source fund balance	<u>19,355</u>		<u>(19,355)</u>
<b>TOTAL OTHER FUNANCING SOURCES (USES)</b>	<u>17,694</u>		<u>(17,694)</u>
<b>EXCESS OF REVENUE (UNDER) EXPENDITURES AND OTHER (USES)</b>	<u>(12,006)</u>	<u>(22,832)</u>	<u>(10,826)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	35,517	35,517	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 23,511</u>	<u>\$ 12,685</u>	<u>\$ (10,826)</u>



**VILLAGE OF CASEVILLE, MICHIGAN**

**DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED FEBRUARY 29, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUE:</b>			
Property taxes	\$ 12,110	\$ 11,509	\$ (601)
Brick sales income		1,197	1,197
Current TIFA payments	72,718		(72,718)
Interest	1,825	273	(1,552)
<b>TOTAL REVENUE</b>	<u>86,653</u>	<u>12,979</u>	<u>(73,674)</u>
<b>EXPENDITURES:</b>			
Downtown Development Authority	505,766	397,664	108,102
<b>EXCESS OF REVENUE (UNDER) EXPENDITURES</b>	<u>(419,113)</u>	<u>(384,685)</u>	<u>34,428</u>
<b>OTHER FINANCING USES:</b>			
Operating transfer out		(954)	(954)
<b>TOTAL OTHER FINANCING USES</b>		<u>(954)</u>	<u>(954)</u>
<b>EXCESS OF REVENUE (UNDER) EXPENDITURES AND OTHER USES</b>	<u>(419,113)</u>	<u>(385,639)</u>	<u>33,474</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	431,908	431,908	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 12,795</u>	<u>\$ 46,269</u>	<u>\$ 33,474</u>

**VILLAGE OF CASEVILLE, MICHIGAN**

**COMBINING BALANCE SHEET - DEBT SERVICE FUNDS  
FEBRUARY 29, 2004**

	<b><u>DDA DEBT SERVICE</u></b>	<b><u>OXBOW PROJECT DEBT SERVICE</u></b>	<b><u>TOTAL</u></b>
<b><u>ASSETS</u></b>			
Cash	\$ 18,164		\$ 18,164
Investments		\$ 123,082	123,082
Taxes receivable	953		953
Due from other governments	37,570		37,570
Special assessments receivable		274,473	274,473
<b>TOTAL ASSETS</b>	<b><u>\$ 56,687</u></b>	<b><u>\$ 397,555</u></b>	<b><u>\$ 454,242</u></b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
<b><u>LIABILITIES:</u></b>			
Deferred revenue		\$ 274,473	\$ 274,473
<b>TOTAL LIABILITIES</b>		<b><u>274,473</u></b>	<b><u>274,473</u></b>
<b><u>FUND EQUITY:</u></b>			
Unreserved	<b><u>\$ 56,687</u></b>	<b><u>\$ 123,082</u></b>	<b><u>\$ 179,769</u></b>
<b>TOTAL FUND EQUITY</b>	<b><u>56,687</u></b>	<b><u>123,082</u></b>	<b><u>179,769</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 56,687</u></b>	<b><u>\$ 397,555</u></b>	<b><u>\$ 454,242</u></b>

**VILLAGE OF CASEVILLE, MICHIGAN**

**COMBINING STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - DEBT SERVICE FUNDS  
YEAR ENDED FEBRUARY 29, 2004**

	<u>DDA DEBT SERVICE</u>	<u>OXBOW PROJECT DEBT SERVICE</u>	<u>TOTAL</u>
<b>REVENUE:</b>			
Property taxes	\$ 75,831		\$ 75,831
Special assessments		123,431	123,431
Interest	1,419	15,173	16,592
<b>TOTAL REVENUE</b>	<u>77,250</u>	<u>138,604</u>	<u>215,854</u>
<b>EXPENDITURES:</b>			
Bond principal	25,000	10,000	35,000
Bond interest	43,331	5,522	48,853
<b>TOTAL EXPENDITURES</b>	<u>68,331</u>	<u>15,522</u>	<u>83,853</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>8,919</u>	<u>123,082</u>	<u>132,001</u>
<b>OTHER FINANCING SOURCES:</b>			
Operating transfers in	954		954
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>954</u>		<u>954</u>
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES</b>	<u>9,873</u>	<u>123,082</u>	<u>132,955</u>
<b>FUND BALANCE - BEGINNING</b>	46,814		46,814
<b>FUND BALANCE - ENDING</b>	<u>\$ 56,687</u>	<u>\$ 123,082</u>	<u>\$ 179,769</u>

**VILLAGE OF CASEVILLE, MICHIGAN**  
**COMBINING BALANCE SHEET - ENTERPRISE FUNDS**  
**FEBRUARY 29, 2004**

		TOTALS		
		2004	FEBRUARY 29, 2003	
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash				
Investments	\$ 168,599	\$ 2,035	\$ 2,035	
Accounts receivable	33,450	193,413	230,084	
Allowance for doubtful accounts		233,501	209,789	
Taxes receivable	1,809	(40,000)	(20,000)	
Inventory	4,637	3,208	1,405	
<b>TOTAL CURRENT ASSETS</b>	<b>208,495</b>	<b>20,289</b>	<b>36,897</b>	
		<b>412,446</b>	<b>460,210</b>	
<b>RESTRICTED ASSETS:</b>				
Investments	200,797	316,297	317,532	
Special assessments receivable	392,139	392,139	449,999	
<b>TOTAL RESTRICTED ASSETS</b>	<b>592,936</b>	<b>708,436</b>	<b>767,531</b>	
<b>FIXED ASSETS</b>				
Building and land improvements		103,206	103,206	
Sewer system	6,988,336	6,988,336	7,013,351	
Water system		4,457,118	4,332,910	
Equipment		191,616	196,602	
		11,740,276	11,646,069	
<b>LESS: ACCUMULATED DEPRECIATION</b>	<b>(1,577,519)</b>	<b>(3,371,361)</b>	<b>(3,141,440)</b>	
<b>FIXED ASSETS - NET</b>	<b>5,410,817</b>	<b>8,368,915</b>	<b>8,504,629</b>	
<b>TOTAL ASSETS</b>	<b>\$ 6,212,248</b>	<b>\$ 9,489,797</b>	<b>\$ 9,732,370</b>	

**COMBINING BALANCE SHEET - ENTERPRISE FUNDS**  
**FEBRUARY 29, 2004**

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**VILLAGE OF CASEVILLE, MICHIGAN**

**COMBINING STATEMENT OF REVENUE, EXPENSES  
AND CHANGE IN RETAINED EARNINGS  
ENTERPRISE FUNDS  
YEAR ENDED FEBRUARY 29, 2004**

				<b>TOTALS</b>	
				<b>FEBRUARY 29,</b>	
	<b>SEWER</b>	<b>WATER</b>	<b>RECYCLING</b>	<b>2004</b>	<b>2003</b>
<b>OPERATING REVENUE:</b>					
Charges for services	\$ 98,762	\$ 574,471	\$ 49,589	\$ 722,822	\$ 692,462
Penalties	604	479	173	1,256	2,159
Miscellaneous		193		193	1,108
<b>TOTAL OPERATING REVENUE</b>	<u>99,366</u>	<u>575,143</u>	<u>49,762</u>	<u>724,271</u>	<u>695,729</u>
<b>OPERATING EXPENSES:</b>					
Salaries and wages	30,510	152,212	26,429	209,151	220,415
Employee benefits	14,457	79,405	13,686	107,548	97,086
Administration	19,650	58,950	1,000	79,600	74,873
Office supplies		103		103	156
Operating supplies	4,650	40,011	215	44,876	54,131
Contracted services	4,870	19,322		24,192	8,586
Legal		11,985		11,985	
Utilities	8,131	39,691	2,178	50,000	50,014
Depreciation	110,309	146,199	4,506	261,014	267,838
Repairs and maintenance	6,166	43,695	134	49,995	63,439
Insurance	2,146	25,555	3,504	31,205	30,113
Equipment rental	13,564	14,107	1,625	29,296	27,304
Miscellaneous	328	2,628	312	3,268	2,904
<b>TOTAL OPERATING EXPENSES</b>	<u>214,781</u>	<u>633,863</u>	<u>53,589</u>	<u>902,233</u>	<u>896,859</u>
<b>OPERATING (LOSS)</b>	<u>(115,415)</u>	<u>(58,720)</u>	<u>(3,827)</u>	<u>(177,962)</u>	<u>(201,130)</u>
<b>NONOPERATING REVENUE (EXPENSES):</b>					
Interest income	5,396	1,246	371	7,013	20,196
Interest expense - long-term debt	(126,250)	(45,667)		(171,917)	(176,717)
Loss on disposal of assets	(8,398)	(1,759)		(10,157)	
Service charges - debt	141,137			141,137	136,956
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<u>11,885</u>	<u>(46,180)</u>	<u>371</u>	<u>(33,924)</u>	<u>(19,565)</u>
<b>(LOSS) BEFORE OTHER FINANCING SOURCES (USES)</b>	<u>(103,530)</u>	<u>(104,900)</u>	<u>(3,456)</u>	<u>(211,886)</u>	<u>(220,695)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfer from other governments		26,773		26,773	20,356
Transfer from other funds					233,618
Transfer to other funds	(8,000)			(8,000)	(45,673)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(8,000)</u>	<u>26,773</u>		<u>18,773</u>	<u>208,301</u>
<b>NET INCOME (LOSS)</b>	<u>(111,530)</u>	<u>(78,127)</u>	<u>(3,456)</u>	<u>(193,113)</u>	<u>(12,394)</u>
<b>RETAINED EARNINGS - BEGINNING</b>	388,370	414,097	109,872	912,339	565,730
<b>PRIOR PERIOD ADJUSTMENT</b>					166,898
<b>CURRENT DEPRECIATION ALLOCATED TO CONTRIBUTED CAPITAL</b>	98,135	93,970		192,105	192,105
<b>RETAINED EARNINGS - ENDING</b>	<u>\$ 374,975</u>	<u>\$ 429,940</u>	<u>\$ 106,416</u>	<u>\$ 911,331</u>	<u>\$ 912,339</u>

**VILLAGE OF CASEVILLE, MICHIGAN**  
**COMBINING STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
**YEAR ENDED FEBRUARY 29, 2004**

	<u>SEWER</u>	<u>WATER</u>	<u>RECYCLING</u>	<u>TOTALS</u> <u>FEBRUARY,</u>	
				<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Operating loss	\$ (115,415)	\$ (58,720)	\$ (3,827)	\$ (177,962)	\$ (201,130)
Adjustments to reconcile operating loss to net cash provided by operating activities:					
Depreciation	110,309	146,199	4,506	261,014	267,838
(Increase) decrease in current assets:					
Accounts receivable	3,025	(11,754)	5,017	(3,712)	(12,662)
Taxes receivable	(1,537)	(106)	(160)	(1,803)	(176)
Inventories	3,355	13,253		16,608	11,459
Increase (decrease) in current liabilities:					
Accounts payable	1,091	6,277	120	7,488	(30,793)
Due to other Fund					(2,147)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>828</u>	<u>95,149</u>	<u>5,656</u>	<u>101,633</u>	<u>32,389</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Purchase of assets	(5,660)	(129,797)		(135,457)	(276,243)
Service charges - debt	141,137			141,137	136,956
Advance from other funds		95,913		95,913	
Principal paid on bond maturities	(50,000)	(45,000)		(95,000)	(85,000)
Interest paid on bonds	(126,250)	(45,667)		(171,917)	(176,717)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(40,773)</u>	<u>(124,551)</u>	<u>-</u>	<u>(165,323)</u>	<u>(401,004)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers from other funds	(8,000)	26,773		18,773	208,301
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(8,000)</u>	<u>26,773</u>	<u>-</u>	<u>18,773</u>	<u>208,301</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest income	5,396	1,246	370	7,011	20,196
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>5,396</u>	<u>1,246</u>	<u>370</u>	<u>7,011</u>	<u>20,196</u>
<b>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	<u>(42,549)</u>	<u>(1,383)</u>	<u>6,025</u>	<u>(37,906)</u>	<u>(140,118)</u>
<b>CASH AND RESTRICTED CASH - BEGINNING OF THE YEAR</b>	<u>411,945</u>	<u>123,405</u>	<u>14,301</u>	<u>549,651</u>	<u>689,769</u>
<b>CASH AND RESTRICTED CASH - END OF THE YEAR</b>	<u>\$ 369,396</u>	<u>\$ 122,022</u>	<u>\$ 20,326</u>	<u>\$ 511,745</u>	<u>\$ 549,651</u>



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Village Council  
Village of Caseville  
Caseville, Michigan 48725

We have audited the general purpose financial statements of Village of Caseville, Michigan, as of and for the year ended February 29, 2004, and have issued our report thereon dated September 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Village of Caseville, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Village of Caseville, Michigan in a separate letter dated September 15, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Caseville, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Village of Caseville, Michigan's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.



This report is intended solely for the information and use of the audit committee, management, Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Nietzke + Faupel, PC*  
NIETZKE & FAUPEL, P.C.  
PIGEON, MICHIGAN

September 15, 2004

**VILLAGE OF CASEVILLE, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEBRUARY 29, 2004**

**Reportable Condition**

1. The current format of the bank reconciliation makes reconciliation of the general ledger balance and the bank balance difficult. We recommend that the bank reconciliation format be changed to make reconciliation of these items easier. This would ensure that the bank statement is agreed to the general ledger on a monthly basis and this will enable a visible monthly summary of activity. Also, reconciling items should be researched promptly so that corrective action may be taken, where necessary, to dispose of them. This process will substantially increase control over cash. We suggest that bank accounts be reconciled and all differences between the computer accounting records and bank balances be investigated on a timely basis by appropriate accounting personnel so that errors and adjustments can be quickly identified and corrected.